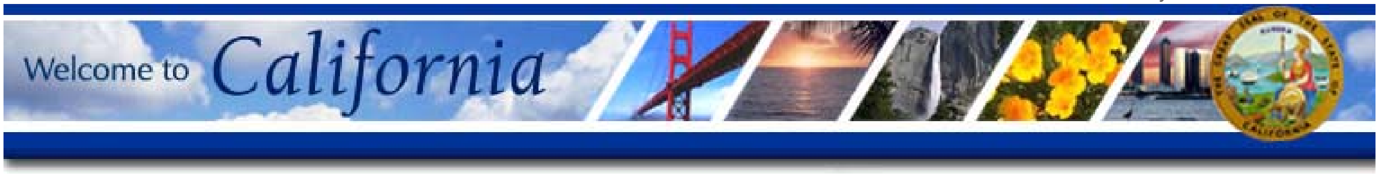


Contract Management Supporting Process

The purpose of Contract Management is to ensure the contractor is adhering to the terms of the contract and providing the requested services/products that meet the expectations of the project. Contract management (**bolded area of diagram** (pdf)) begins when a signed contract/purchase order (PO) is received and the project negotiates a start date with the contractor. Contract management ends when the contract services/products have been delivered, accepted and paid for, and all associated contract paperwork and files have been archived.

Documented processes and automated tools can greatly ease the burden of contract management, though it can easily be a full-time job on large scale projects. Be sure to use the **contract review criteria** to ensure any contract change is sound.

The project may be managing several types of contract at the same time. The elements of contract management (**diagram** (pdf)) are the same for a **competitive contract** and a **CMAS/MSA contract**, though the solicitation steps are different. A Contract Management Plan is recommended to describe how contracts and subcontracts will be managed and administered. Some projects combine their consultant acquisition and contract management plans into a single document.

The following are the basic elements of contract management and administration.

- **Preparing for Contractor Arrival**
- **Orienting the Contractor to the Project**
- **Reviewing Deliverables and Services**
- **Reviewing Invoices for Payment**
- **Replacing and Tracking Contractor Personnel**
- **Amending the Contract**
- **Creating Work Orders for the Contract (if applicable)**
- **Closing the Contract**

TIP Refer also to the **Consultant Staffing** and **Statement of Work** pages for more insight into selecting and acquiring consulting staff.

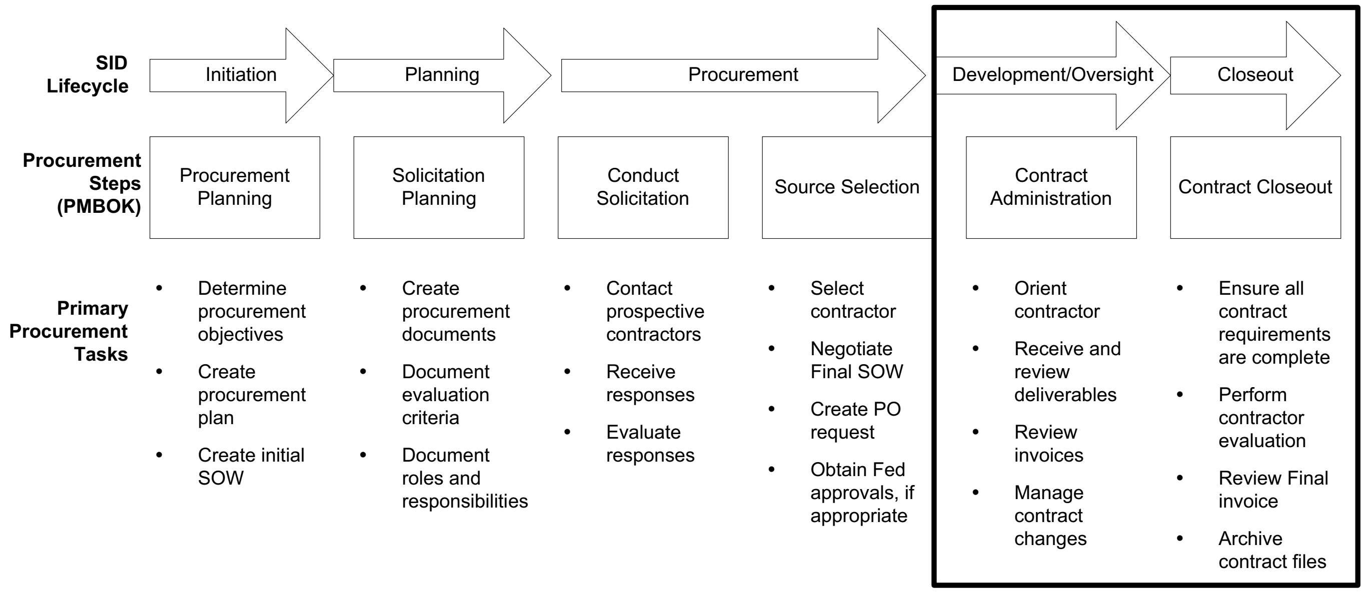
References:

- **IEEE 1490-1998**, Adoption of PMI's PMBOK, Section 12 - Procurement (link to pdf)
- **State Contracting Manual (SCM)** (link)
- **Getting Connected Workshop: Contract Tracking and Management**, April 2003 (pdf)
- **Best Practices in Contract Administration** (pdf), presented to the Association of Government Auditors (AGA), January 2002.
- **Focus Group: HHSDC Contract Processes**, presented by HHSDC's Acquisition Services Program (ASP), Sept 2001.
- **Focus Group: Lessons Learned from the Procurement Phase**, Aug 2001.

Samples and Supporting Materials:

- **Contract Management Plan for the Prime Contract Outline** (MS Word)

- **Consultant Contract Acquisition and Management Plan Outline** (MS Word)
- **EBT Contract Management Plan (for Prime and Consultants)** (MS Word)
- **Features of an automated contract tracking tool**
- **Common terms and definitions for contract management and administration**


SID Lifecycle
Initiation
Planning
Procurement
Development/Oversight
Closeout
Procurement Steps (PMBOK)
Procurement Planning
Solicitation Planning
Conduct Solicitation
Source Selection
Contract Administration
Contract Closeout
Primary Procurement Tasks
• Determine procurement objectives
• Create procurement plan
• Create initial SOW
• Create procurement documents
• Document evaluation criteria
• Document roles and responsibilities
• Contact prospective contractors
• Receive responses
• Evaluate responses
• Select contractor
• Negotiate Final SOW
• Create PO request
• Obtain Fed approvals, if appropriate
• Orient contractor
• Receive and review deliverables
• Review invoices
• Manage contract changes
• Ensure all contract requirements are complete
• Perform contractor evaluation
• Review Final invoice
• Archive contract files

California Home Tuesday, December 09, 2003

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- CMM
- POST Enterprise
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General Contract Review Criteria

Acq Main

When preparing a contract, be sure to review the following key criteria. Any associated notes or documentation should be stored in the contract file.

- Is the **contract type/vehicle appropriate** for the contract you are writing? Is the vehicle consistent with the purpose of your acquisition?

  Review the appropriate contract type below and check the purpose and limitations of each type of vehicle (specifically the Terms and Conditions and/or Model Contract Language).

  - CMAS -- See the following for more info.
    - **DGS Procurement CMAS website** (DGS link)
    - **CMAS Terms and Conditions** (DGS link)
  - MSA -- Scroll down to the IT Master Services Agreement section and then select the appropriate type of MSA (usually the IT Consulting Services Link). Each category should have ordering instructions and terms listed on the sub-page.
    - **DGS Procurement MSA website** (DGS link)
  - Competitive -- See the various sources listed below. If you have questions contact your DGS representative or the project's Acquisition Services Bureau representative for assistance.
    - **SAM Section 5200 - IT Procurements** (DGS link)
    - **State Contracting Manual** (DGS link)

- Does your Statement of Work (SOW)/contract clearly describe the **minimum qualifications** (MQs) required for each task? Do the minimum qualifications in your SOW/contract match the MQs for your contract type?

  CMAS and MSA have specific requirements for education and experience levels for each contractor staff classification level. Any waivers should be documented and stored with the contract file.

  - CMAS - Check the contractor's associated Federal GSA schedule, and Products/Services Price List that is part of their CMAS agreement
  - MSA - Check the Category and Classification section and the Personnel Classifications section

- Does the SOW/contract clearly **map the project position/title** (e.g., Implementation Manager) to the classification level (e.g., Systems Analyst II)?

- Do the resumes and staff **experience levels fit the roles** and responsibilities for the project positions? Do the resumes and experience levels clearly support the classification levels and billing rates?

- If the project has negotiated for discounted rates with the contractor, has this agreement and the rationale for the **discount been documented**?

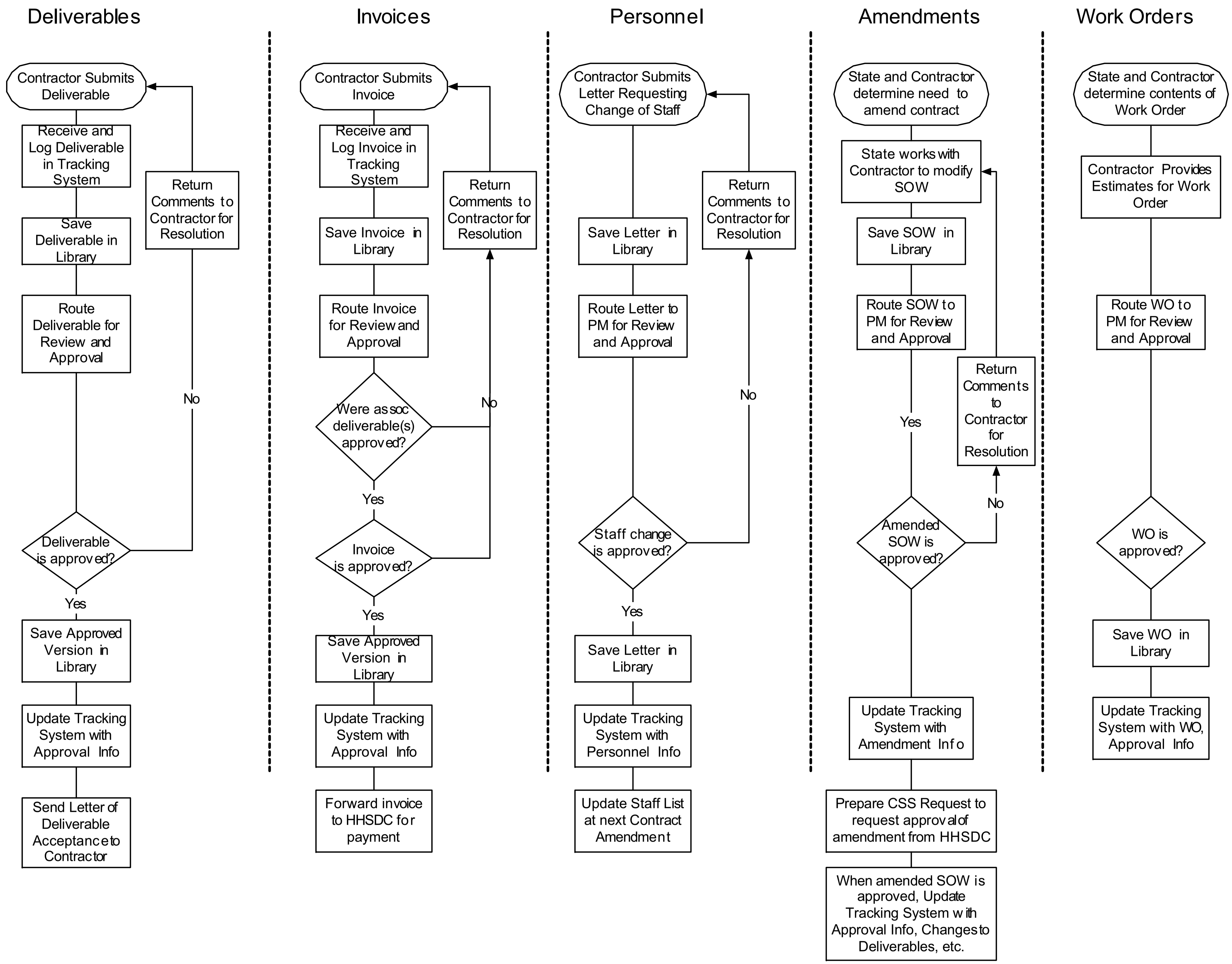
A letter should be generated indicating the:

- Standard and discounted rates
- Associated classification levels (e.g., Systems Analyst II, etc)
- Associated project position/title
- Staff name
- Rationale for the discount (e.g., based on industry standard for the type of project position, limited experience level of the contractor staff being proposed, etc.)

The letter may be generated by the contractor to the Project Manager to formalize an agreement, or the Project Manager may generate the letter for the contractor to indicate the rates which are acceptable to the State.

- Does the SOW/contract include **at least one deliverable for each task** (i.e., how will you evaluate and prove that the appropriate work has been done)? Are DEDs included as a requirement (if appropriate)? Are the completion and acceptance criteria stated or referenced elsewhere (e.g., in a DED which will be developed prior to the deliverable)?
  - If the contract/subcontract is for **consulting services**, is there a way to measure their work and results from their work? Are there specific deliverables other than just a monthly status report (such as analyses, technical studies, reports, etc.)?
- Are the appropriate **government and industry standards** for project management and software development/integration referenced or explicitly listed? Or if the project has tailored a standard, are examples available to the contractor that they may use to help develop their price proposal?
- Does the SOW/contract state specific **tracking data or metrics** that the contractor will have to report (such as costs, hours or timesheets, or internal QA data)? Does the SOW or contract provide **a clause to allow access to other tracking data** if necessary? Does the SOW/contract provide access to the actual (raw) data (not just summaries)? If appropriate, are "earned-burned" or earned value measures required?
- Does the SOW/contract clearly indicate when **formal reviews** will be required such as Design Reviews for the customer, QA reviews or Configuration Audits? Are dates/milestones associated with these reviews (e.g., at least 30 days after submission of Detailed Design)? Are the objectives of the formal review stated (e.g, Go/No-Go decision, liquidated damages assessment, etc.)? Does the SOW/contract allow project staff and the IV&V team access to the contractor data and personnel?
- Does the SOW/contract indicate how **payments** will be handled (e.g, monthly time and materials, by deliverable, etc.)? Does the SOW indicate any payment caps and travel costs? Does the SOW indicate any payment withholds and procedures for receiving the withholds (e.g., after acceptance testing, after final county implementation, etc.)?
- If appropriate, does the SOW/contract include a provision and **process for work orders and amendments**?
- Are a **change control process and an issue resolution/escalation process** included or referenced? Does the **escalation process** include specific timeframes or criteria (such as level of risk or impact to the project) for escalation to the next level?
- Is there a **staff replacement process** included or referenced? Does the SOW/contract include a clause that requires State approval of any contractor staff replacement prior to the replacement beginning work?
- If **subcontractors** are being utilized in this SOW/contract, is there a provision that specifically states the prime is responsible for ensuring the subcontractors work is correct? Will the subcontractors be using the prime's processes and methodologies, or using their own? If the latter, the prime must still ensure the products and activities map to their (the prime's) processes, methods and quality standards.

- Are there any **current or former state employees** being proposed by the contractor? Does this constitute a conflict? Does the vendor clearly indicate why they believe this is not a conflict?
    - There are specific statues and regulations that limit former state employees' employment opportunities with companies that do business with the State. Consult the ASP and/or Legal for more information.
    - Also review the available guidance on **conflict of interest** (MS Word). Consult Legal counsel if questions arise.


Deliverables
Contractor Submits Deliverable
Receive and Log Deliverable in Tracking System
Save Deliverable in Library
Route Deliverable for Review and Approval
Deliverable is approved?
No
Return Comments to Contractor for Resolution
Yes
Save Approved Version in Library
Update Tracking System with Approval Info
Send Letter of Deliverable Acceptance to Contractor
Invoices
Contractor Submits Invoice
Receive and Log Invoice in Tracking System
Save Invoice in Library
Route Invoice for Review and Approval
Were assoc deliverable(s) approved?
Yes
Invoice is approved?
No
Return Comments to Contractor for Resolution
Yes
Save Approved Version in Library
Update Tracking System with Approval Info
Forward invoice to HHSDC for payment
Personnel
Contractor Submits Letter Requesting Change of Staff
Save Letter in Library
Route Letter to PM for Review and Approval
Staff change is approved?
No
Return Comments to Contractor for Resolution
Yes
Save Letter in Library
Update Tracking System with Personnel Info
Update Staff List at next Contract Amendment
Amendments
State and Contractor determine need to amend contract
State works with Contractor to modify SOW
Save SOW in Library
Route SOW to PM for Review and Approval
Yes
Amended SOW is approved?
No
Return Comments to Contractor for Resolution
Update Tracking System with Amendment Info
Prepare CSS Request to request approval of amendment from HHSDC
When amended SOW is approved, Update Tracking System with Approval Info, Changes to Deliverables, etc.
Work Orders
State and Contractor determine contents of Work Order
Contractor Provides Estimates for Work Order
Route WO to PM for Review and Approval
WO is approved?
Save WO in Library
Update Tracking System with WO, Approval Info

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Wednesday, November 19, 2003

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Contract Management - Preparing for Contractor Arrival

Contract Main

While waiting for the contractor to start, the project can begin preparations for the contractor's arrival. In addition to the administrative tasks below, the project should also prepare materials and/or a briefing to orient the contractor to the current phase and background of the project. Many of these tasks can be started while waiting for the contract/PO to be signed.

1. Load the contract tracking database with the appropriate information to allow for tracking throughout the life of the contract. (Deliverable Monitor)
   - Contract details, such as tasks, services, contract manager
   - Contractor staff names and position/titles
   - Contract dollar amount
   - Deliverables, milestones, required reviewers, payment amount for deliverables (if appropriate) and associated Deliverable Expectation Document
     - Be sure that no due date extends past the contract end date
     - Critical deliverables should be due at least 30 days prior to the end of the contract to allow for sufficient review and comment
2. Load the financial system with the approved contract funding information by fiscal year, including travel allotment and staff billing rates, as appropriate. (Financial Analyst)
3. Prepare the work location, if the contractor will be working on-site. (Functional Manager and/or Contract Manager)
   - Cubicle space and equipment
   - Badges and parking passes, if appropriate
   - Access to network, mail and tracking tools, if appropriate
   - Documentation such as **Vendor Handbook**, floor plan, phone list, policies and procedures, and background project materials

Contract Management - Contractor Orientation

Contract Main

When the contractor arrives on-site, one of the first activities should be to perform an orientation session to acquaint the contractor with the project location, policies and procedures, tools, and background. This is also the time to verify expectations and confirm due dates and meeting schedules.

Refer also to the **Contractor Project Initiation Launch Meeting**. The following steps are usually performed by the Functional or Contract Manager.

1. Discuss the **Vendor Handbook** which describes the processes for submitting and reviewing deliverables and invoices, and tracking contract performance.
2. Discuss and obtain signatures on the **Conflict of Interest and Confidentiality Certification** (pdf) for each staff member.
3. Introduce contractor personnel to key staff and points of contact.
   - Contract Manager
   - Functional Manager
   - Project Manager
   - Invoice Clerk/Financial Analyst
   - Deliverable Monitor
   - Receptionist
4. Present an overview of the project's processes (e.g., Library, Conference Room Scheduling, Meeting Schedules, etc.)
5. Present an overview of the project's current status.
6. Review expectations for tasks/services and deliverables.

Samples and Supporting Materials

- **Orientation Binder Table of Contents** (pdf)
- **CCSA Invoice Process** (pdf)
- **CWS/CMS Orientation Binder Table of Contents** (pdf)

California Home

Wednesday, November 19, 2003

HHSDC Home
BP Home Page
The MSC
CMM
POST Enterprise
The Project Office
Life Cycle Processes
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HHSDC Links
Resources Library
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Contract Management - Contract Amendments

Contract Main

If the project needs to change the dollar amount, period of performance, or scope of work, the contract must be amended. After the SOW is updated, the process steps are the same as in the procurement process and the approvals are the same. Thus, if Federal approval is required, remember to allow adequate time for review and approval so that the effective date of the amended SOW is not delayed by the approvals.

1. The Contract Manager and Project Manager must consider the following items.

   - Is this an adjustment of the current scope? Is the functionality sufficiently changed (though technically within the project's objectives) to warrant adjusting the contract terms (dates, funds, clarifying new scope)? Is the change clearly outside the scope of the current contract, or a complete change of scope that should be a separate contract?
   - Is there funding to address the amendment? Are re-approvals by control agencies needed for the amendment (e.g., budget, SPR, etc.)?
   - What is the impact to the project schedule if the amendment is made? What if the amendment is not approved?
   - What are the risks associated with the amendment (both if the amendment is and is not approved)?

2. Review the current terms of the contract/SOW and update, as appropriate. Be sure to also review the **contract review criteria** to ensure the changes are appropriate. Include Legal staff in the review to ensure that the amendment does not negate other areas of the contract. Discuss the proposed amendment with HHSDC's Acquisition Services Program (ASP) to ensure all required information and supporting documentation is prepared. (Contract Manager)

   - Determine if any of the deliverables, due dates, milestones or evaluation criteria need to be updated
   - Determine if any of the damage clauses need to be adjusted
   - Determine if the travel costs need to be adjusted
   - Determine if there are any other impacts to services, equipment or facilities due to the amendment
   - If there are staff changes or additions, determine if the staff are qualified for the position and if they meet the minimum qualifications

3. Use HHSDC's CSS tool to request a contract change from HHSDC's Acquisition Services Program (ASP). Indicate any changes to the encumbrance amount of the contract. The amendment follows the same process as that of the original contract/PO (including Feds if appropriate). (Deliverable Monitor/Contract Manager)

   Be sure to attach a cover letter to the amendment before submitting it to the ASP. The cover letter should indicate:

   - What is the purpose of the amendment? Why is the amendment necessary?
   - What elements of the contract are affected (cost, dates, personnel, scope)? List the appropriate paragraph numbers.
   - If cost and dates are being changed, state the before and after values. If this is a "no-cost" amendment, explicitly note that.

4. When the amendment is signed, the project follows the same **orientation process** as when the contractor originally started. (Contract Manager)

5. If appropriate, update the contract tracking database to reflect the changes. Be sure to notify the

Financial Analyst if there were any changes to billing rates or budget/funding information. (Contract Manager)

Metrics and Tracking Data

The following are some suggested metrics to assist with tracking. Metrics should be collected for all amendments, and then accumulated to show trends by date period (month, quarter, year) and project phase (requirements, design, etc.).

- Number of days to process an amendment
- Number of amendments made
- Number of requirements (contractual or system) changes made by amendments
- Average dollar amount of amendments
- Total dollar amount of all amendments
- Reasons for amendments (e.g., legislation, policy, funding change, technology upgrade, user needs changed, missed requirement, etc.)

References

- **DGS Management Memo 03-10**, Requirements for Use of CMAS/MSA and Non-Competitive Bids (NCBs) (link to pdf) - discusses when you can and cannot amend contracts.

Contract Management - Replacing Contractor Personnel

Contract Main

If the contractor wishes to replace staff assigned to the project, the Project Manager must approve the change. Where possible, at least 30 days notice of change of staff is expected.

1. The Contractor should send a letter requesting the change of staff, indicating the rationale, proposed staff and their resume, specific applicable qualifications for the position, staff classification and rate, and proposed start dates. (Contractor)
2. Log the letter into the tracking system. Note the date of receipt and make copies for the contract file. (Clerical/Deliverable Monitor)
3. The Functional/Contract Manager and Project Manager must approve any contractor staff changes. (HHSDC's Acquisition Services Program (ASP) must also approve the replacement/selection.) Be sure to review the **contract review criteria** to ensure the changes are appropriate. Some of the criteria include:
    - Is the proposed staff at the same classification level with the appropriate qualifications and level of experience as the staff they will be replacing?
    - Is this a direct replacement of staff, or will there be a change to the distribution of duties?
    - Is the new staff's billing rate reasonable? Will it affect the dollar amount of the contract (if so, a contract amendment must be performed)?
    - Will the staff change affect the current status of the project (due to a critical deadline, loss of knowledge or change in duties)?
    - Are the staff's applicable qualifications and experience clearly presented in the resume and does the experience meet the contract vehicle's minimum qualifications?
    - Has the contractor provided a transition plan to indicate how the transition will occur?
        - Dates of old staff exit and new staff start
        - How the new staff will be oriented to the project
        - How the old staff will train and transfer knowledge to new staff
        - What responsibilities will be transitioned and when (should be some overlap such that the new staff are responsible before the old staff departs)
        - How the new staff's performance will be monitored to ensure no disruption of project performance
4. The contract should be **amended** to reflect the change in staff rates at the next possible opportunity. (Contract Manager).
5. Provide a copy of the amendment to the Deliverable Monitor and Financial Analyst. (Contract Manager)
6. Update the tracking system to indicate the start and end dates of the contractor staff. (Deliverable Monitor). Update the financial system to indicate any changes in billing rates. (Financial Analyst)
7. When the new staff arrive, **orient the new staff.** Be sure to review and discuss confidentiality and conflict of interest issues. (Functional/Contract Manager)

Metrics and Tracking Data

The following are some suggested metrics to assist with tracking. Metrics should be collected for all staff changes, and then accumulated to show trends by date period (month, quarter, year), project phase (requirements, design, etc.), and by project area (case management, out-of-state interfaces, etc.).

- Number of staff budgeted/expected
- Number of staff changes made
- (optional) Number of staff changes disapproved

- (optional) Number of critical/key staff replaced
- (optional) Positions/job functions where staff were changed (is there a problem keeping staff in a specific area?)

Samples and Supporting Materials

- **Contractor Staff Replacement Request Form** (MS Word)

Contract Management - Closing the Contract

Approximately 100-60 days prior to the end of the contract, the Contract Manager should review the status of the contract to ensure the contractor is on target for completing all required services and deliverables. If they are not going to complete on time, the Project Manager must determine if a contract amendment (to extend the contract period) is warranted, or what contingencies to perform in the event there is work left uncompleted.

There are several administrative activities that must be performed to ensure an orderly completion of the contract. The project must ensure that all required work has been completed and approved, all project-owned documents and equipment have been returned, all vendor assets and project accesses have been removed (e.g., email, dialup access, vendor test equipment, etc.), and all appropriate contract documentation has been completed and filed appropriately.

If the contract is being terminated, the Project Manager must consult Legal and/or DGS prior to acting. Determine if assessing damages is warranted or applicable. Determine what liability issues may arise as a result of the termination, and how to address uncompleted work.

1. At least thirty days prior to the contract end date (preferably earlier), review the tracking system to ensure all contractual obligations have been completed and accepted. Work with the contractor to resolve any issues. (Contract Manager)
2. Verify the project library contains copies of all deliverables (preferably paper and electronic copies). (Deliverable Monitor)
3. Implement the **Transfer/Transition Plan** to transition knowledge and duties from the contractor. Schedule specific time for the contractor to transition duties and knowledge to state staff.
4. Conduct a **lessons learned session** with the contractor, if appropriate. (Functional Manager or Contract Manager)
5. Perform a Contract Evaluation on a DGS Std 4 (**DGS link** or **local pdf**) form in accordance with DGS regulations. Refer to the **State Contracting Manual** (DGS link) or **California Acquisition Manual** (DGS link) for more information. (Contract Manager)
6. Follow the project's **Exit Procedures** (MS Word) to ensure an orderly exit. (Contract Manager)
7. After the final invoice has been paid, determine if there are remaining funds to be disencumbered, and if so, notify HHSDC's Accounting staff. (Financial Analyst)
8. Closeout the contractor files in the tracking system and archive the contractor documentation according to the project's document retention schedule. (Contract Manager and Deliverable Monitor)

See also the **Closeout primary process** for the case when the prime contract and/or the project is ending.

Samples and Supporting Materials

- **Contractor Exit Interview Form** (MS Word)